



## Looking For Cash In All The Wrong Places

Across the state, New Yorkers worry about taxes. Home-owners are particularly aggrieved; poll after poll shows that property taxes are a top concern.

There's a good reason for these worries. Our tax structure demands the most from families with the least. Households earning between \$33,000 and \$56,000 a year pay an average of 11.6 percent of their incomes to state and local taxes. But households earning above \$633,000 pay only 7.2 percent.<sup>1</sup>

Tax revenues are important. They pay for public investments like schools, libraries and parks. They fund road repair and vital services like transitional housing for the recently homeless.

But our upside down system raises the revenue from the wrong places. A better model would allow lower-income families to keep more of their own earnings. It would protect middle-income homeowners from exorbitant property taxes, while guaranteeing that schools, towns, and fire departments receive adequate state support.

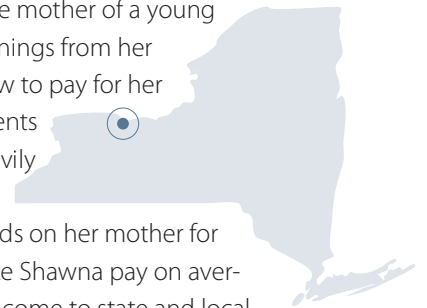
Here's what's wrong:

### Struggling families pay too much in sales and excise taxes<sup>2</sup>

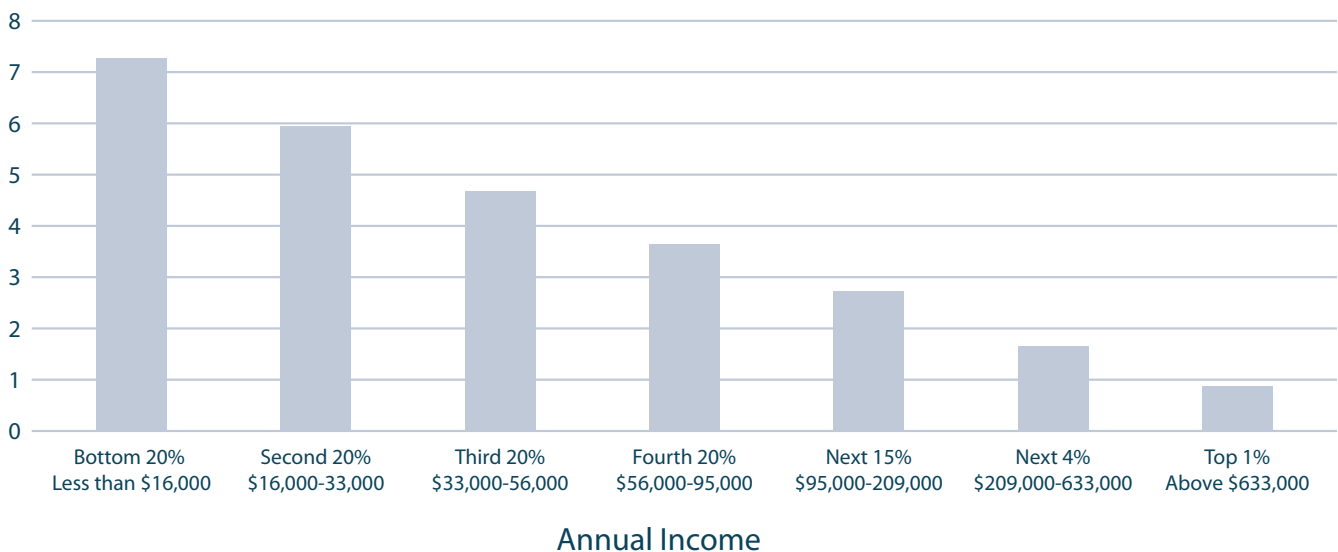
A New Yorker who earns \$33,000 a year averages \$1,980 in taxes on necessities like clothing and food. That's a full 6 percent of her income. But studies show that a parent with a preschooler needs over \$36,000 just to cover basics like transportation, housing and child care.<sup>3</sup>

Meanwhile, the wealthiest one percent – those who earn over \$633,000 -- barely notice sales and excise taxes, which consume less than one percent of their incomes.

Consider Shawna, a single mother of a young son in Rochester. Her earnings from her job at Wendy's are too low to pay for her own apartment, so she rents from her mother at a heavily discounted rate of \$232 a month. She also depends on her mother for childcare. New Yorkers like Shawna pay on average 10 percent of their income to state and local taxes -- money that would otherwise be spent on necessities like food and school supplies.



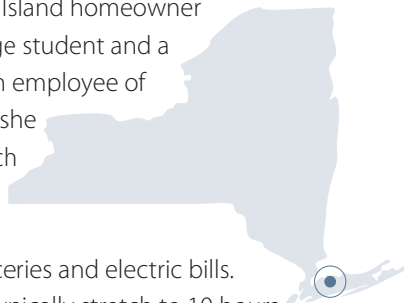
What percent of their incomes do New Yorkers spend on sales & excise taxes?



## Too often, moderate income New Yorkers are overburdened with property taxes

Moderate income and poor New Yorkers – including renters, who pay property taxes indirectly-- pay the largest chunks of their incomes in property taxes. A family making \$16,000 pays an average of 5.8 percent of its income to property taxes. A family earning \$40,000 pays 3.9 percent of its income to property taxes. And the wealthiest? They pay just 1.5 percent of their income in property taxes.

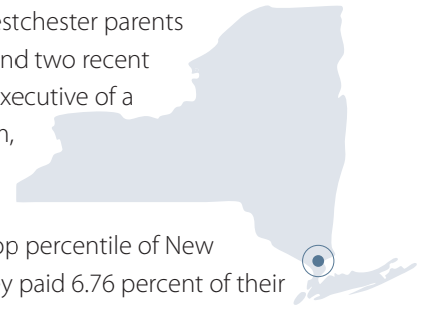
Consider Rhoda, a Long Island homeowner and a mother of a college student and a high school senior. As an employee of the local school district, she earns \$35,000 a year. Each month Rhoda juggles mortgage payments and college tuition, groceries and electric bills. Though her work days typically stretch to 10 hours, she's considering taking a second job. Rhoda's not alone. New Yorkers in Rhoda's modest income group pay on average nearly 4 percent of their income to property taxes and a whopping 11.6 percent to all state and local taxes combined.



## The wealthiest pay the least

Households taking in over \$633,000 dollars a year enjoy the lightest state and local tax obligations.

Consider Lisa and Rob, Westchester parents of a high school student and two recent college graduates. As an executive of a pension management firm, Rob pulled in \$1.678 million in 2008, placing their household well into the top percentile of New York earners. That year they paid 6.76 percent of their earnings in New York State income taxes. The following year's temporary tax surcharge on high earners did not impact their lifestyle.



## Set New York's Tax Structure Right Side Up

New Yorkers are angry, and they should be. As hiring stagnates and services like public transportation, schools and healthcare are cut, New York's upside down system demands that struggling families close the budget gap.

That's like looking for fresh water in the desert. New York needs a system that generates revenue in a way that is fair and sustainable. This means:

- Implementing a strong progressive income tax to ensure funding for critical services
- Instituting a circuit breaker for middle class homeowners with out-of-whack property tax burdens
- Limiting sales and excise taxes on necessities like food and household goods

1. Unless otherwise indicated, all data in this brief is taken from the Institute on Taxation and Economic Policy's paper, "Who Pays? A Distributional Analysis of Tax Systems in All 50 States." Accessed on November 9, 2010 at <http://www.itepnet.org/whopays3.pdf>.

2. A sales tax is a consumption tax, charged at the point of purchase for goods and services. An excise tax is a tax on the producer or manufacturer of a particular good, such as gas or cigarettes. Excise taxes are passed onto consumers in higher costs.

3. "The Self Sufficiency Standard for New York State 2010." Accessed on February 7, 2011 at <http://www.selfsufficiencystandard.org/docs/New%20York%20State%202010.pdf>



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